

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0137-01
Bill No.: HB 26
Subject: Housing; Revenue Department; Tax Credits; Taxation and Revenue - Income
Type: Original
Date: January 14, 2013

Bill Summary: This proposal would authorize a one-time income tax deduction to a taxpayer for the lesser of the cost of construction or \$5,000, for an American made storm shelter.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0	0 to (\$120,000)	0 to (\$120,000)
Total Estimated Net Effect on General Revenue Fund	\$0	0 to (\$120,000)	0 to (\$120,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Deduction for Storm Shelter Cost: Section 143.115, RSMo

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in a fiscal impact to their organization.

BAP officials assume this proposal would create a tax deduction for the costs incurred for the construction of a qualifying storm shelter. The aggregate amount of deductions allowed would be \$2 million per fiscal year. At the 6% maximum marginal income tax rate, this proposal could reduce General and Total State Revenue by up to \$120,000 annually.

Officials from the **Department of Revenue (DOR)** assume this proposal would allow taxpayers a deduction for the cost of constructing a storm shelter. The deduction would be limited to the lesser of the costs incurred or \$5,000. No taxpayer could claim this deduction more than once, and the aggregate amount of deductions would be limited to two million dollars. The tax deductions issued under this section would be issued on a first-come, first-served filing basis.

These provisions would sunset December 31, six years after the effective date unless reauthorized by the General Assembly.

ASSUMPTION (continued)

DOR officials noted that their organization could create rules to implement the program. In order to implement the proposal, DOR would need to make form changes, and DOR and ITSD-DOR would need to make programming changes to various tax systems.

Administrative impact

DOR officials assume that Personal Tax would need two additional Temporary Tax Employees for key entry, one additional FTE Revenue Processing Technician I (Range 10, Step L) per 19,000 errors, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 2,400 pieces of correspondence. Also, Collections & Tax Assistance would need one additional FTE Tax Collection Technician (Range 10, Step L) for every additional 15,000 contacts annually on the delinquent tax line with CARES equipment, one additional FTE Tax Collection Technician (Range 10, Step L) for every additional 15,000 contacts annually on the non-delinquent tax line with CARES equipment, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 4,800 contacts annually to the field offices with CARES equipment.

The DOR response included the two additional Temporary Tax employees and five additional FTE, and with equipment and expense totaled \$217,043 for FY 2014, \$219,936 for FY 2015, and \$222,242 for FY 2016.

Oversight notes that this proposal would provide a maximum deduction for an individual filer of five thousand dollars with an aggregate maximum of two million dollars in deductions per state fiscal year. The maximum overall revenue reduction for this proposal would be $(\$2,000,000 \times 6\%) = \$120,000$ per year. The deduction would be limited to $(\$5,000 \times 6\%) = \300 per filer and would be available on a first-come, first-served basis. Oversight assumes that $(\$2,000,000 / \$5,000) = 400$ filers would be able to claim the deduction each fiscal year.

Oversight could not find any information regarding the cost of a storm shelter nor the number of storm shelters constructed in Missouri. However, based on the limited amount of deductions available and the limited number of filers who could use this deduction, Oversight assumes these claims could be processed with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

ASSUMPTION (continued)

IT impact

Officials from the Department of Revenue also provided an estimate of the IT impact to implement this proposal of \$13,633 based on 504 hours of programming to make changes to DOR systems.

Oversight assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA - ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the appropriation process.

Oversight will indicate a range of fiscal impact to the General Revenue Fund from \$0 (no deductions claimed) to \$120,000 (the effective program cap). The deduction would be available for tax years beginning on or after January 1, 2014, and Oversight assumes these deductions would first be claimed on 2014 tax returns filed beginning January 2015 (FY 2015).

This proposal could reduce Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Revenue reduction - additional deductions for storm shelter Section 143.115</u>	\$0	<u>\$0 to (\$120,000)</u>	<u>\$0 to (\$120,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 to (\$120,000)</u>	<u>\$0 to (\$120,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal would authorize a one-time income tax deduction to a taxpayer for the cost of construction or \$5,000, whichever is less, of an American made storm shelter. Deductions under this program would be limited to \$2 million, and would be allowed on a first-come, first-served basis.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
Division of Budget and Planning
Department of Revenue



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